The Democratic Plan to Strengthen Social Security and Medicare

The long-term solvency of the Social Security Trust Fund and the Medicare Trust Fund should be the main focus of the debate on these two successful and necessary components of the safety net for seniors. Republicans have refused to engage in that debate despite the President=s calls for a bipartisan approach to the long-term financial problems facing both Social Security and Medicare.

The President took a major step to move the process to strengthen Social Security and Medicare forward when he transmitted his proposal to the Congress. This legislation, H.R. 3165, AThe Strengthen Social Security and Medicare Act of 1999", was introduced by Democratic Leader Richard Gephardt, Ways and Means Ranking Democrat Charles Rangel and more than 20 other Democrats.

Protecting the Social Security Surplus

! House Democrats have joined with President Clinton to lock up the Social Security surpluses for debt reduction to ensure that we will keep the promise of a secure foundation for the baby boomers when they retire. Social Security lifts 15 million seniors out of poverty and is the principal source of retirement income for two-thirds of the elderly. In order to maintain baby boomer confidence in a system that has been so successful for the last sixty years, we must act now to save the surplus and make plans to strengthen the Trust Fund while the total budget is in surplus and the economy is strong.

! H.R. 3165 would protect 100 percent of the Social Security surpluses through changes in the budget rules.

! The Office of Management and Budget projects that this will pay down $3.1 trillion of the debt held by the public over the next 15 years. The reduction in the publicly held debt will be a major factor in enabling the Treasury to redeem the bonds already held by the Trust Fund beginning in 2021 when benefits begin to exceed the combined payroll tax revenues and interest payments on the holdings of the Trust Fund.

! This will result in savings of $107 billion in annual interest costs by 2011. The President has proposed transferring the interest saved by paying down the debt to the Social Security Trust Fund. The transfer of the interest savings would last until 2044.

Extending the Solvency of the Trust Fund

- This transfer of the money saved from reducing the interest on the debt held by the public will extend the solvency of the Trust Fund until 2050, 16 years beyond the current date of its exhaustion, according to the Office of the Actuary of the Social Security Administration.

- By contrast, the Republican Alockbox@ proposals <u>do not add a single day to the solvency of the Trust Fund</u>. In fact, their bill would allow the use of the Social Security Trust Fund to finance plans that would convert it to a privatized system that could reduce benefits and put the retirement income of moderate income workers at risk.

- Even if the Republicans kept their promise not to use Social Security Trust Fund money for anything else C something that they have not done this year C they would not be putting any additional assets into the Trust Fund. This year they have resorted to a variety of budgetary devices to try to hide the fact that they are borrowing at least $18 billion from the Trust Fund.

Providing for Medicare

- The financial situation for the Medicare Trust Fund is more immediate; under current projections, the Trust Fund will become insolvent by 2015.

- The President=s proposal in H.R. 3165 also reserves one-third of the on-budget (non-Social Security) surplus to strengthen Medicare. This special fund could only be used to reduce the debt held by the public until a comprehensive plan for extending the solvency of Medicare is enacted and/or a prescription drug benefit is provided for Medicare beneficiaries.

- Congressional Republicans have not made any provision for protecting and strengthening Medicare in either their budget or any of their Alockbox@ proposals. <u>In fact, their failed $792 billion tax cut bill would have spent all of the on-budget surpluses for the next ten years C leaving nothing for Medicare</u>.